

# Empire State Manufacturing Survey

The August *Empire State Manufacturing Survey* indicates that conditions for New York manufacturers continued to worsen. The general business conditions index fell four points to -7.7, its third consecutive negative reading. The new orders index also remained below zero, at -7.8, while the shipments index was positive at 3.0. The unfilled orders and inventories indexes dropped further into negative territory. Price indexes continued to retreat, with the prices paid index falling fifteen points to 28.3 and the prices received index falling three points to 2.2. The index for number of employees was slightly positive, while the average workweek index was slightly negative. Future indexes

weakened significantly. The future general business conditions index plummeted twenty-four points to 8.7, its lowest level since February 2009, and the future new orders and shipments indexes, while positive, fell to near-record lows exceeded only by their September 2001 readings. The capital expenditures index was also down sharply.

In a series of supplementary questions, respondents were queried about difficulties in finding workers proficient in certain types of skills; they were also asked to estimate training costs to bring new hires up to speed. Manufacturers' responses to the August survey were not substantially different from those recorded in March 2007,

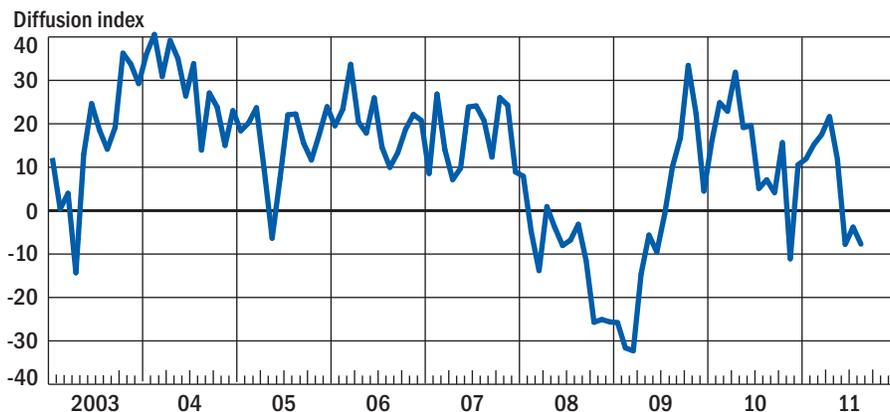
when these questions were last asked. The workers seen as most difficult to find were those with advanced computer skills, followed by those who were punctual and reliable. Training costs to bring a typical new hire up to speed were estimated at 6½ percent of annual compensation, on average. Firms also reported that the wage or salary of a typical worker was expected to rise by about 2½ percent, on average, over the next twelve months.

## Business Conditions Continue to Deteriorate

Business conditions weakened for New York State manufacturers for a third consecutive month in August. The general business conditions index fell four points to -7.7. The new orders index also fell, inching down to -7.8; the negative reading—the third in a row—indicated that orders had declined. The shipments index held steady at 3.0, a sign that shipments were slightly higher over the month. The unfilled orders index continued to drift down, falling three points to -15.2. The delivery time index was little changed at 0.0. The inventories index dropped two points to -7.6, suggesting that inventory levels were down slightly.

## General Business Conditions

Seasonally adjusted



Continued

*Continued from page 1*

**Price Increases Moderate Further**

The prices paid index continued its marked decline in August, dropping fifteen points to 28.3—an indication that the pace of input price increases slowed over the month. This index has now fallen a cumulative forty-two points since May. The prices received index retreated three points to 2.2, suggesting that selling prices were little changed. Employment indexes hovered close to zero. The index for number of employees was little changed at 3.3, indicating a small increase in employment levels. Although the average workweek index rose after a sharp decline in July, it remained below

zero at -2.2, indicating a slight drop in the length of the average workweek.

**Future Indexes Fall Sharply**

Although most of the future indexes remained positive, they were down sharply, suggesting that the level of optimism about the six-month outlook deteriorated significantly in August. The future general business conditions index fell twenty-four points to 8.7, its lowest level since February 2009. The future new orders and shipments indexes dropped to their lowest levels since September 2001, and the future unfilled orders index fell below

zero. Future price indexes declined but remained above zero, suggesting that both input prices and selling prices are expected to increase in the months ahead, but at a slower pace than was expected last month. The index for future number of employees fell eleven points to 6.5, while the future average workweek index dipped below zero. The capital expenditures index dropped fourteen points to 8.7, its lowest level in more than two years, and the technology spending index fell ten points to 2.2. ■

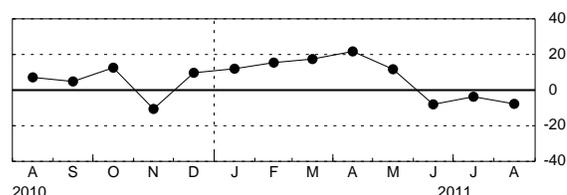
# Current Indicators

Change from Preceding Month

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	22.64	50.95	26.40	-3.76
Aug	25.11	42.05	32.83	-7.72

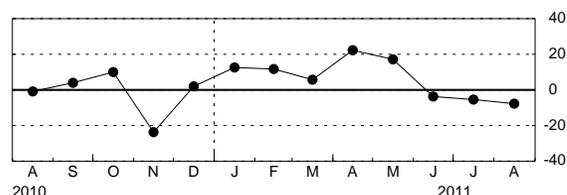
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	26.15	42.24	31.61	-5.45
Aug	29.05	34.09	36.87	-7.82

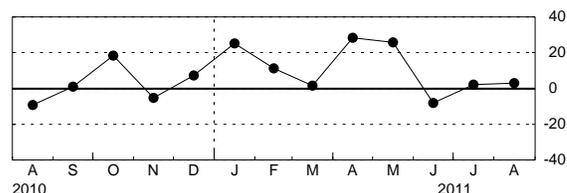
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	28.83	44.57	26.61	2.22
Aug	31.13	40.75	28.12	3.01

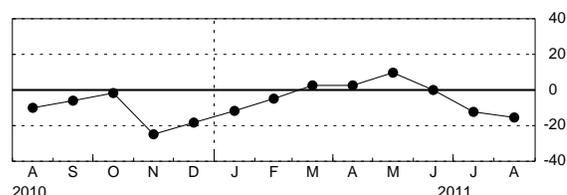
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	12.22	63.33	24.44	-12.22
Aug	10.87	63.04	26.09	-15.22

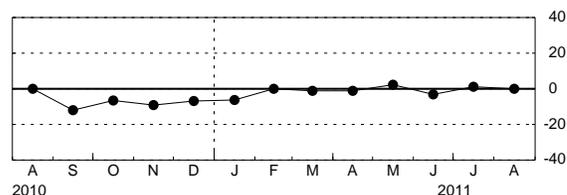
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	12.22	76.67	11.11	1.11
Aug	11.96	76.09	11.96	0.00

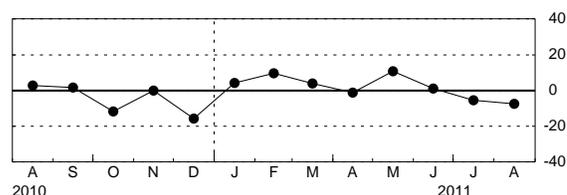
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	21.11	52.22	26.67	-5.56
Aug	22.83	46.74	30.43	-7.61

Inventories - Diffusion Index



## Current Indicators, *continued*

### Change from Preceding Month

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	47.78	47.78	4.44	43.33
Aug	34.78	58.70	6.52	28.26

#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	14.44	76.67	8.89	5.56
Aug	15.22	71.74	13.04	2.17

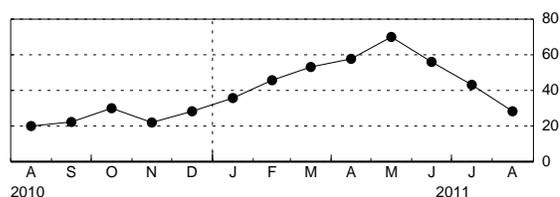
#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	16.67	67.78	15.56	1.11
Aug	20.65	61.96	17.39	3.26

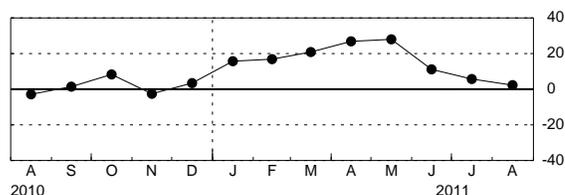
#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	3.33	77.78	18.89	-15.56
Aug	14.13	69.57	16.30	-2.17

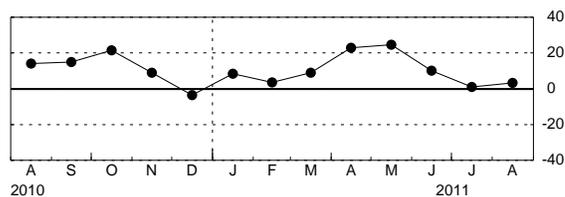
Prices Paid - Diffusion Index



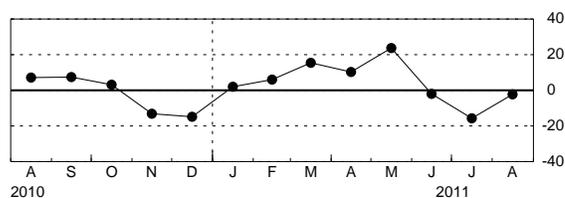
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

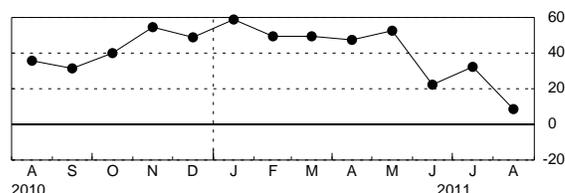
# Forward-Looking Indicators

Expectations Six Months Ahead

## General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	47.78	36.67	15.56	32.22
Aug	31.52	45.65	22.83	8.70

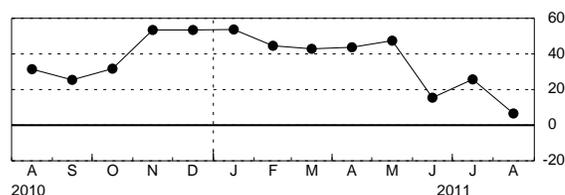
General Business Conditions - Diffusion Index



## New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	43.33	38.89	17.78	25.56
Aug	31.52	43.48	25.00	6.52

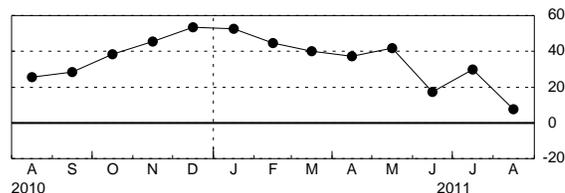
New Orders - Diffusion Index



## Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	44.44	41.11	14.44	30.00
Aug	32.61	42.39	25.00	7.61

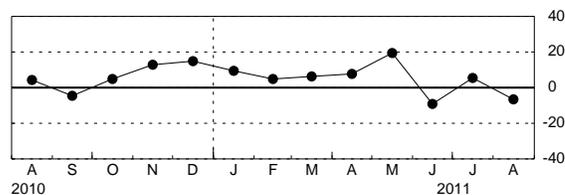
Shipments - Diffusion Index



## Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	17.78	70.00	12.22	5.56
Aug	8.70	76.09	15.22	-6.52

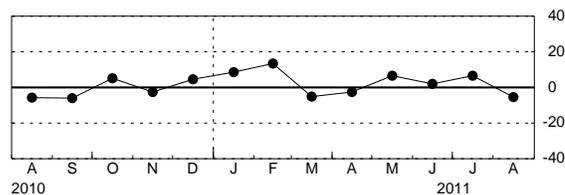
Unfilled Orders - Diffusion Index



## Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	14.44	77.78	7.78	6.67
Aug	8.70	77.17	14.13	-5.43

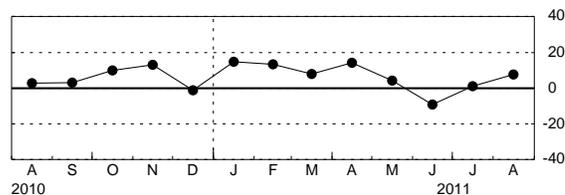
Delivery Time - Diffusion Index



## Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	25.56	50.00	24.44	1.11
Aug	31.52	44.57	23.91	7.61

Inventories - Diffusion Index



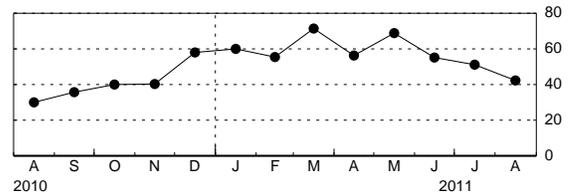
## Forward-Looking Indicators, *continued*

### Expectations Six Months Ahead

#### Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	56.67	37.78	5.56	51.11
Aug	46.74	48.91	4.35	42.39

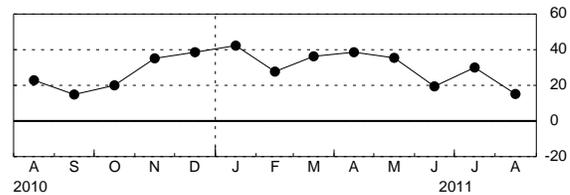
Prices Paid - Diffusion Index



#### Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	38.89	52.22	8.89	30.00
Aug	23.91	67.39	8.70	15.22

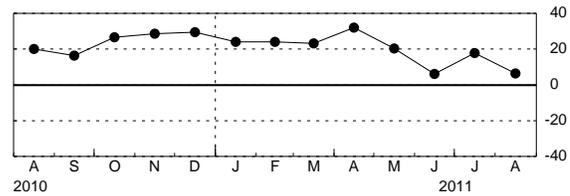
Prices Received - Diffusion Index



#### Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	31.11	55.56	13.33	17.78
Aug	29.35	47.83	22.83	6.52

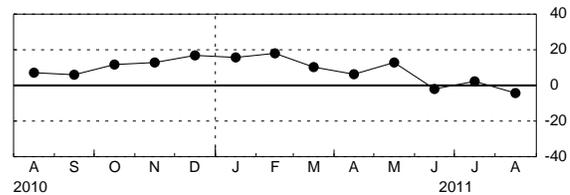
Number of Employees - Diffusion Index



#### Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	11.11	80.00	8.89	2.22
Aug	8.70	78.26	13.04	-4.35

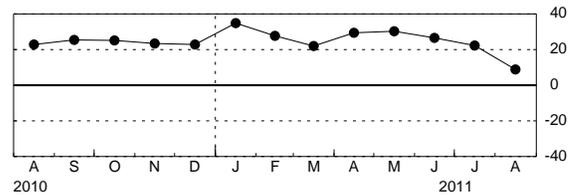
Average Employee Workweek - Diffusion Index



#### Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	32.22	57.78	10.00	22.22
Aug	27.17	54.35	18.48	8.70

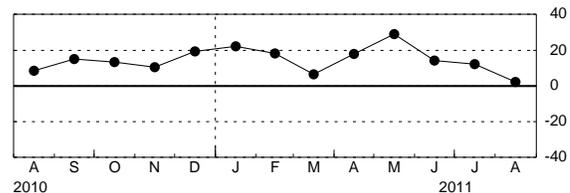
Capital Expenditures - Diffusion Index



#### Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Jul	23.33	65.56	11.11	12.22
Aug	17.39	67.39	15.22	2.17

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

## Supplemental Report:

# Manufacturers Still Face Difficulty Finding Workers with Select Skills

In a series of supplementary questions to the August 2011 *Empire State Manufacturing Survey*, firms were asked how much difficulty, if any, they were experiencing in finding workers proficient in select skill categories; they were also asked to estimate the costs of the training needed to bring new hires up to speed. The table below shows the results of the survey alongside the results from a parallel survey conducted in March 2007.

Despite the current slack job market, manufacturers' responses in this month's survey were not substantially different from those recorded in March 2007, when New York State's unemployment rate was below 4½ percent. As in the earlier survey, workers with advanced computer skills were seen as the hardest to find: On a scale of 0 to 100, this task received a difficulty rating of slightly more than 61 in this month's survey—almost identical to the rating it

received in 2007. (See the table for a detailed explanation of the difficulty measure.) Finding workers who are punctual and reliable received the second highest difficulty rating, followed by the task of finding workers with good interpersonal skills; these results, too, mirrored those from the earlier survey.

Respondents were also asked to estimate training and related costs for new hires as a percentage of overall compensation. On average, manufacturers indicated that such costs accounted for 6.5 percent of total compensation in the past year, compared with 5.6 percent in a typical year—percentages that closely tracked those cited in the 2007 survey. The median proportion was reported to be 5.0 percent, for both the past year and a typical year.

Finally, in a question not posed previously, manufacturers were asked how much they expected a typical worker's wage or salary

to increase (or decrease) over the next twelve months—not including benefits and not including any promotion or change in hours worked. The vast majority of respondents, 79 percent, predicted at least some increase in pay, while 21 percent expected wages to remain unchanged; no respondents anticipated a decline. The average expected pay increase was reported to be 2.4 percent, while the median was 2.8 percent. ■

## Supplemental Report, *continued*

### QUESTION 1

To what extent have you recently had difficulty finding workers who are proficient in each of the following areas?

	Percentage of Respondents Reporting:					Difficulty Rating*	
	No Difficulty	←—————→			Great Difficulty	August 2011	March 2007
Basic math skills	19	11	28	38	4	49.4	48.8
Basic English skills	19	13	27	36	6	48.9	47.6
Basic computer skills	20	17	29	33	1	44.7	48.2
Advanced computer skills	16	5	21	34	24	61.3	61.6
Interpersonal skills	15	8	46	24	8	50.6	51.5
Punctuality / reliability	17	9	26	30	18	55.9	54.2

\*This composite measure facilitates comparisons between the August 2011 and March 2007 surveys and among the six skill categories. The measure gives the following weights to the five columns shown: 0 percent, 25 percent, 50 percent, 75 percent, 100 percent. It can range from 0 (when all respondents indicate no difficulty) to 100 (when all respondents indicate great difficulty).

### QUESTION 2

If you have incurred additional training or related costs to bring new hires up to speed, roughly what percentage of these workers' compensation in the past year do those costs represent? What percentage do they represent in a typical year?

	August 2011		March 2007	
	Mean	Median	Mean	Median
Percentage of compensation <i>this past year</i>	6.5	5.0	6.4	3.0
Percentage of compensation <i>in a typical year</i>	5.6	5.0	5.3	3.8

### QUESTION 3

By about what percentage, on average, do you expect a typical worker's wage/salary—not including benefits—to change over the next twelve months, assuming that worker remains in the same job and works the same number of hours?

Average expected percentage increase	2.4
Median expected percentage increase	2.8
Percentage of respondents expecting	
Decrease	0.0
No change	21.1
Increase	78.9
Of 2 percent or less	18.9
Of more than 2 percent and up to 4 percent	52.2
Of more than 4 percent	7.8